

**REPORT OF THE AUDIT OF THE
MONROE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Monroe County Fiscal Court audit for the fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The primary government's cash balances decreased by \$109,526 from the beginning of the year, resulting in a cash surplus of \$894,603 as of June 30, 2003.

Debt Obligations:

The primary government's loan agreements totaled \$10,934 as of June 30, 2003. Future collections of \$10,934 are needed to pay all loan agreement principal.

Report Comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$322,506 And Entered Into A Written Agreement To Protect Deposits

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
MONROE COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE	12
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE	17
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE	21
NOTES TO FINANCIAL STATEMENTS	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	31
SCHEDULE OF OPERATING REVENUE	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	38
SCHEDULE OF OTHER EXPENDITURES	43
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	47
COMMENT AND RECOMMENDATION	51
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Wilbur Graves, Monroe County Judge/Executive

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Monroe County, Kentucky as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Recreational, Tourist and Convention Commission. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Monroe County Recreational, Tourist and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Monroe County, Kentucky as of June 30, 2003, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2004 on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Monroe County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$322,506 And Entered Into A Written Agreement To Protect Deposits

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 8, 2004

MONROE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Wilbur Graves	County Judge/Executive
Danny Burgess	Magistrate
Roger Turner	Magistrate
Sam Maxie Harlan	Magistrate
Tommy Page	Magistrate
Jeff Proffitt	Magistrate

Other Elected Officials:

Wesley Stephens	County Attorney
Freddie Kirkpatrick	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff
Louis Carter	Property Valuation Administrator
Jackie Walden	Coroner

Appointed Personnel:

Sheryl Conkin	County Treasurer
Cathy Page	Occupational Tax Collector

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

MONROE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type	Enterprise Fund Type	Totals (Memorandum Only) Primary Government
	General	Jail Canteen	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 889,915	\$ 4,748	\$ 894,663
Total Assets	<u>\$ 889,915</u>	<u>\$ 4,748</u>	<u>\$ 894,663</u>
<u>Other Resources</u>			
Amounts to Be Provided			
In Future Years for:			
Note Principal (Note 5)	\$ 10,934	\$	\$ 10,934
Total Other Resources	<u>\$ 10,934</u>	<u>\$ 0</u>	<u>\$ 10,934</u>
Total Assets and Other Resources	<u><u>\$ 900,849</u></u>	<u><u>\$ 4,748</u></u>	<u><u>\$ 905,597</u></u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Component Unit	Totals (Memorandum Only)	
	Reporting Entity	
	</	

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	Governmental	Enterprise	Totals (Memorandum Only)
	Fund Type	Fund Type	Primary Government
	General	Jail Canteen	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Note Payable (Note 5)	\$ 10,934	\$	\$ 10,934
Withholding Liabilities	60		60
Total Liabilities	\$ 10,994	\$ 0	\$ 10,994
<u>Equity</u>			
Retained Earnings:			
Reserved	\$	\$ 4,748	\$ 4,748
Fund Balances:			
Unreserved	889,855		889,855
Total Equity	\$ 889,855	\$ 4,748	\$ 894,603
Total Liabilities and Equity	\$ 900,849	\$ 4,748	\$ 905,597

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

Component Unit	Totals (Memorandum Only)	
	Reporting Entity	

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

MONROE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Types			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,170,852	\$ 923,463	\$ 92,792	\$ 9,480
Recreation, Tourist, and Convention				
Commission Receipts				
Other Financing Sources:				
Transfers In		200,000	210,000	
Total Cash Receipts	<u>\$ 1,170,852</u>	<u>\$ 1,123,463</u>	<u>\$ 302,792</u>	<u>\$ 9,480</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget				
and Budgeted Expenditures	\$ 917,863	\$ 1,031,335	\$ 289,618	\$ 22,683
Recreation, Tourist, and Convention				
Commission Expenditures				
Other Financing Uses:				
Schedule of Other Expenditures				
Transfers Out	418,375			
Principal Paid On Capital Lease	40,969			
Borrowed Money Repaid				
Total Cash Disbursements	<u>\$ 1,377,207</u>	<u>\$ 1,031,335</u>	<u>\$ 289,618</u>	<u>\$ 22,683</u>
Excess (Deficiency) of Cash Receipts				
Over (Under) Cash Disbursements	\$ (206,355)	\$ 92,128	\$ 13,174	\$ (13,203)
Cash Balance - July 1, 2002	<u>684,419</u>	<u>255,717</u>	<u>24,755</u>	<u>30,825</u>
Cash Balance - June 30, 2003	<u><u>\$ 478,064</u></u>	<u><u>\$ 347,845</u></u>	<u><u>\$ 37,929</u></u>	<u><u>\$ 17,622</u></u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE
 For The Fiscal Year Ended June 30, 2003
 (Continued)

			Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
General Fund Types	Special Revenue Fund Types		Primary Government		Reporting Entity
	United States Community Adjustment And Investment Program Grant Fund	Kentucky Community Development Block Grant Fund			
Monroe County Fire And Rescue Squad Fund					
\$ 17,259	\$ 377,242	\$ 7,500	\$ 2,598,588	\$	\$ 2,598,588
				10,771	10,771
8,375			418,375		418,375
\$ 25,634	\$ 377,242	\$ 7,500	\$ 3,016,963	\$ 10,771	\$ 3,027,734
\$	\$ 377,242	\$ 7,500	\$ 2,646,241	\$	\$ 2,646,241
				3,304	3,304
17,052			17,052		17,052
			418,375		418,375
			40,969		40,969
7,100			7,100		7,100
\$ 24,152	\$ 377,242	\$ 7,500	\$ 3,129,737	\$ 3,304	\$ 3,133,041
\$ 1,482	\$ 0	\$ 0	\$ (112,774)	\$ 7,467	\$ (105,307)
6,913			1,002,629		1,002,629
\$ 8,395	\$ 0	\$ 0	\$ 889,855	\$ 7,467	\$ 897,322

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

MONROE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Receipts - Jail Canteen	\$ 20,610
Total Cash Receipts	<u>\$ 20,610</u>
 <u>Cash Disbursements</u>	
Expenditures - Jail Canteen	<u>\$ 17,362</u>
Total Cash Disbursements	<u>\$ 17,362</u>
Excess of Cash Receipts Over Cash Disbursements	\$ 3,248
Cash Balance - July 1, 2002	<u>1,500</u>
Cash Balance - June 30, 2003	<u><u>\$ 4,748</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

MONROE COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmates for Canteen Purchases	\$ 20,610
Payments to Suppliers	<u>(17,362)</u>
Net Cash Provided By Operating Activities	<u>\$ 3,248</u>
Net Increase in Cash	<u>\$ 3,248</u>
Cash and Cash Equivalents - July 1, 2002	<u>1,500</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$ 4,748</u></u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Monroe County Fire and Rescue Squad, Inc., and the Monroe County Recreational, Tourist and Convention Commission as part of the reporting entity.

Monroe County Fire and Rescue Squad

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is run by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. However, the four officers have to answer to the Fiscal Court. After being elected, the chief and assistant chief are approved by the Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2003, the Fire and Rescue Squad received \$8,375 from the Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Therefore, the Fire and Rescue Squad's financial activity is included in the Fiscal Court's financial statements using the blending method.

Monroe County Recreation, Tourist and Convention Commission

On January 16, 2002 Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreation, Tourist and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court. Financial information for the Commission is discretely presented in the accompanying financial statements. A complete copy of the audit report may be obtained from the Monroe County Recreation, Tourist, and Convention Commission.

MONROE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Additional - Monroe County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Monroe County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Monroe County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Monroe County Fire and Rescue Squad Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Monroe County Special Revenue Fund Type includes the following county funds: United States Community Adjustment and Investment Program Grant Fund and Kentucky Community Development Block Grant Fund.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Monroe County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

3) Enterprise Fund Type (Continued)

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Monroe County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Monroe County Fire and Rescue Squad Fund and Monroe County Jail Canteen Fund. The Department for Local Government does not require these funds to be budgeted.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash

Cash includes amounts in bank accounts.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District.

Note 2. Employee Retirement System

On August 21, 2002, the county elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems beginning in October 2002. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deferred Compensation

On March 21, 2001, the Monroe County Fiscal Court voted to allow all full time employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by full time employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report

Note 4. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$322,506 of public funds uninsured and unsecured. In addition, the depository institution's board of directors or loan committee did not approve the pledge or provision of collateral, and the depository institution did not have a written agreement with the county securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 108,395
Collateralized with securities held by pledging depository institution in the county's name	500,000
Uncollateralized and uninsured	<u>322,506</u>
Total	<u><u>\$ 930,901</u></u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Long-Term Debt

On March 9, 2001, the Monroe County Fire and Rescue, Inc. entered into a promissory note with Edmonton State Bank. The note was for the purchase of a fire truck. The principal was \$23,034 at initial interest rate of 8.75%. Principal outstanding as of June 30, 2003, is \$10,934. Future principal requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>Scheduled</u> <u>Principal</u>
2004	8.25% - 19%	\$ 5,000
2005	8.25% - 19%	5,000
2006	8.25% - 19%	<u>934</u>
Totals		<u>\$ 10,934</u>

Note 6. Grants

A. United States Community Adjustment and Investment Program Grant

Monroe County Fiscal Court (Fiscal Court) was awarded a grant for \$471,400 under the United States Community Adjustment and Investment Program from the North American Development Bank. This program is overseen by the United States Department of Treasury. Grant proceeds are to be used to replace a non-serviceable 300,000 gallon standpipe water tank. These funds are passed through to the Monroe County Water District. During fiscal year 2003, the Fiscal Court received and expended grant funds totaling \$377,242. The unexpended grant balance as of June 30, 2003 was \$0.

B. Personal Responsibility In A Desirable Environment Community Grant

Monroe County Fiscal Court (Fiscal Court) was awarded grants totaling \$83,500 from Personal Responsibility In A Desirable Environment (PRIDE), the Center for Rural Development, National Oceanic Atmospheric Administration, to provide funds for cleanup of illegal dumpsites. As of June 30, 2002, Fiscal Court was due \$42,500 from PRIDE. During fiscal year 2003, the Fiscal Court received grant funds of \$83,500 and expended grant funds of \$41,000. The unexpended balance as of June 30, 2003, was \$0.

Note 7. Insurance

For the fiscal year ended June 30, 2003, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MONROE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 942,624	\$ 1,170,852	\$ 228,228
Road and Bridge Fund	682,216	923,463	241,247
Jail Fund	75,280	92,792	17,512
Local Government Economic Assistance Fund	6,400	9,480	3,080
<u>Special Revenue Fund Types</u>			
United States Community Adjustment and Investment Program Grant Fund	471,400	377,242	(94,158)
Kentucky Community Development Block Grant Fund	7,500	7,500	
Totals	<u>\$ 2,185,420</u>	<u>\$ 2,581,329</u>	<u>\$ 395,909</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,185,420
Add: Budgeted Prior Year Surplus			960,135
Less: Other Financing Uses			<u>(49,969)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,095,586</u>

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SCHEDULE OF OPERATING REVENUE

MONROE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPE		
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types
Taxes	\$ 819,877	\$ 819,877	\$
In Lieu Tax Payments	35,945	35,945	
Excess Fees	41,692	41,692	
Licenses and Permits	16,904	16,904	
Intergovernmental Revenues	1,561,262	1,176,520	384,742
Charges for Services	10,915	10,915	
Miscellaneous Revenues	88,135	88,135	
Interest Earned	23,858	23,858	
Total Operating Revenue	<u>\$ 2,598,588</u>	<u>\$ 2,213,846</u>	<u>\$ 384,742</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MONROE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 549,145	\$ 523,276	\$ 25,869
Protection to Persons and Property	408,048	404,688	3,360
General Health and Sanitation	75,400	60,329	15,071
Social Services	5,000	2,365	2,635
Recreation and Culture	12,000	10,771	1,229
Roads	1,032,349	1,003,910	28,439
Airports	3,000	3,000	
Capital Projects	21,269		21,269
Administration	510,475	253,160	257,315
Total Operating Budget - General Fund Types	\$ 2,616,686	\$ 2,261,499	\$ 355,187
Other Financing Uses:			
Transfers to Monroe County Fire And Rescue Squad Fund	9,000	8,375	625
Capital Lease Agreement- Principal on Lease	40,969	40,969	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 2,666,655</u>	<u>\$ 2,310,843</u>	<u>\$ 355,812</u>

MONROE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

<u>SPECIAL REVENUE FUND TYPES</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Health and Sanitation	\$ 471,400	\$ 377,242	\$ 94,158
Social Services	<u>7,500</u>	<u>7,500</u>	
 TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	 <u>\$ 478,900</u>	 <u>\$ 384,742</u>	 <u>\$ 94,158</u>

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SCHEDULE OF OTHER EXPENDITURES

MONROE COUNTY
SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>Expenditure Items</u>	<u>General Fund Type</u>	
	Monroe County Fire And Rescue Squad Fund	
Building Maintenance	\$	1,258
Equipment Maintenance		642
Gas and Oil		2,122
Interest Paid - Borrowed Money		1,302
Janitorial Supplies		447
Miscellaneous		3,346
New Equipment		3,069
Office Supplies and Telephone		960
Radio and Pagers		342
Training and Travel		157
Utilities		777
Vehicle Maintenance		<u>2,630</u>
Total Expenditures	\$	<u><u>17,052</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Monroe County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated June 8, 2004. We did not audit the financial statements of the Monroe County Recreational, Tourist and Convention Commission. Other auditors conducted the audit of those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Monroe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation section.

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$322,506 And Entered Into A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 8, 2004

COMMENT AND RECOMMENDATION

MONROE COUNTY
COMMENT AND RECOMMENDATION

June 30, 2003

The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$322,506 And Entered Into A Written Agreement To Protect Deposits

On June 30, 2003, \$322,506 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$108,395 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the pledge or provision of collateral be approved by the board of directors of the depository institution or its loan committee, and the depository institution enter into a written agreement with the county to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Wilbur Graves' Response:

None.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

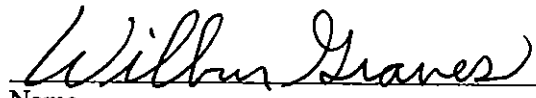
MONROE COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MONROE COUNTY FISCAL COURT

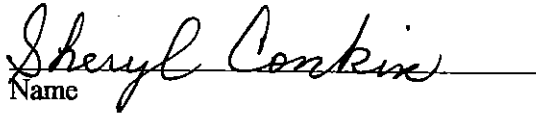
For The Fiscal Year Ended June 30, 2003

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer